GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	SB0179	**Title:**	Adjust tax credit for inflation for elderly homeowners and renters
Primary Sponsor:	Erickson, Ron	**Status:**	As Introduced

- ☐ Significant Local Gov Impact
- ☐ Needs to be included in HB 2
- ☐ Technical Concerns
- ☐ Included in the Executive Budget
- ☐ Significant Long-Term Impacts
- ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2010 Difference	FY 2011 Difference	FY 2012 Difference	FY 2013 Difference
Expenditures:				
General Fund	$0	$0	$0	$0
Revenue:				
General Fund	($8,048,441)	($8,251,569)	($8,457,858)	($8,669,305)
Net Impact-General Fund Balance:	($8,048,441)	($8,251,569)	($8,457,858)	($8,669,305)

Description of fiscal impact:

The elderly homeowner/renter credit provides an income tax credit to households where at least one household member is age 65 or older, gross household income is below a limit, and property tax the household pays directly or through their rent is more than a certain percentage of net household income. Net household income is gross household income minus a standard subtraction amount. The credit equals property tax the household pays in excess of a percentage of net household income, where the percentage is determined from a schedule and is higher at higher incomes. There is a maximum credit, and the credit phases out for incomes close to the eligibility limit.

This bill would increase the income limit for eligibility, increase the maximum credit, increase the income ranges in the schedule used to determine a household's credit, and increase the subtraction amount used in calculating net household income. The bill would also index each of these amounts for inflation. This would increase the number of taxpayers claiming the credit and increase the amount of credit claimed by most households who currently claim the credit.

FISCAL ANALYSIS

Assumptions:

1. This bill would increase the number of taxpayers eligible for the elderly homeowner/renter credit and increase the amount of individual taxpayer's credits, beginning with tax year 2009.
2. For TY 2007, there were 22,081 elderly homeowner/renter credit claims filed with a total of $9,810,626 in credits. For each of these forms, the credit was calculated under current law and with this bill. There were 21,742 forms where this bill would result in a higher credit, and the total increase in credits was $6,783,410.
3. This bill would also increase the number of taxpayers eligible for the credit. Credits cannot be calculated directly for taxpayers who did not file a claim in TY 2007. The percentage increase in credits was estimated using income tax returns and property tax records of taxpayers who claimed the $140 property tax rebate for TY 2006 property taxes. Potential credits were calculated for all taxpayers in this group under current law and under this bill. With this bill, there would be 25% more taxpayers eligible to claim the credit. These additional taxpayers would be eligible to claim credits equal to 7.1% of credits under current law. Average credits were lower for taxpayers made eligible under this bill than for taxpayers eligible under current law because many of the newly eligible taxpayers are in the income range where the credit is phased-out and would only be eligible for a partial credit.
4. If this bill had been in effect in TY 2007, credits claimed by taxpayers who are not eligible under current law would have been $696,554 (7.1% x $9,810,626).
5. If this bill had been in effect in TY 2007, elderly homeowner/renter credits would have been $7,479,964 higher ($6,783,410 additional credits to taxpayers eligible under current law + $696,554 additional credits to taxpayers not eligible under current law).
6. With the inflation adjustments in this bill, the additional credits calculated in assumption 5 will grow at approximately the rate of inflation. Inflation from June 2007 to June 2008 was 5.0%. Inflation is expected to be 2.5% per year for 2009 through 2012. Additional credits for TY 2009 through TY 2012 will be as shown in the following table.

Additional Elderly Homeowner/Renter Credits due to SB 179

Year	Inflation Adjustment from Previous Year	Additional Credits
2007		$7,479,964
2009	(2 year) 7.6%	$8,048,441
2010	2.5%	$8,251,569
2011	2.5%	$8,457,858
2012	2.5%	$8,669,305

7. Elderly homeowner/renter credits are claimed following the close of each tax year. The credits for tax years 2009 through 2012 will be claimed in fiscal years 2010 through 2013.
8. This bill would not affect the Department of Revenue's costs. Changes to forms would be made as part of the normal annual update process. Public education to explain the changes to taxpayers would be included in the department's normal outreach activities for this credit. Changes to the department's data processing system would require 80 hours of programming and 40 hours of testing. The programming would be done by the software vendor as part of the annual maintenance contract. Testing would be done by department employees. There would be no monetary cost, but resources would be taken away from other tasks.

	FY 2010 Difference	FY 2011 Difference	FY 2012 Difference	FY 2013 Difference
Fiscal Impact:				
Department of Revenue				
Revenues:				
General Fund (01)	($8,048,441)	($8,251,569)	($8,457,858)	($8,669,305)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	($8,048,441)	($8,251,569)	($8,457,858)	($8,669,305)

Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*